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BIGGER IS NOT ALWAYS BETTER

WASHINGTON, D.C. -- Recently, I asked the Congressional Research Service to provide information on the number and cost of mergers and acquisitions involving pharmaceutical companies over the last five years. The total: \$375 billion. In the last 6 months alone, Monsanto announced it would pay \$23.3 billion to buy Pharmacia and Upjohn, Glaxo Wellcome has pledged \$76 billion to buy SmithKline Beecham, and Pfizer said it would spend \$90.27 billion to buy Warner-Lambert.

I have been concerned about the effect of these mega-mergers on competition and prices. And I have been skeptical about claims that the increasing trend of drug companies buying other drug companies boosts research activities. A recent report by CenterWatch, a research entity focused on the pharmaceutical industry, confirms those fears.

According to its analysis of 22 mergers completed between 1988 and 1999, the number of drugs under development actually dropped by 34 percent during the first three years after the mergers. The median number of projects in development - from pre-clinical to late-stage testing - fell from 85 to 56 potential drugs. And, after a slight rise, the number of clinical trials also fell to 9 percent below pre-merger levels. In a Newark Star Ledger article, Ken Gatz, head of CenterWatch, stated that "mergers are not meeting certain strategic R&D objectives and may even harm the industry's larger term ability to innovate."

Drug companies argue that they cannot afford to lower prices to senior citizens and other consumers because it will hurt their R&D efforts. Yet, these same drug companies spent \$375 billion to buy each other in mergers that have reduced R&D efforts. It is time that we reject these false claims. Congress must act now to expand Medicare to provide prescription drug coverage to all senior citizens and persons with disabilities. And it must use the power of Medicare to negotiate affordable prices. The pharmaceutical industry can certainly afford it, but our senior citizens cannot afford to wait.